

STATE OF SOUTH CAROLINA

South Carolina Electric & Gas Company – Request to
transfer real property at book value

BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

COVER SHEET

DOCKET

NUMBER: 2008 - 83 - E

(Please type or print)

Submitted by: K. Chad BurgessSC Bar Number: 69456

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NOTE: The cover sheet and information contained herein neither replaces nor supplements the filing and service of pleadings or other papers as required by law. This form is required for use by the Public Service Commission of South Carolina for the purpose of docketing and must be filled out completely.

DOCKETING INFORMATION (Check all that apply)

☐ Emergency Relief demanded in petition ☐ Request for item to be placed on Commission's Agenda expeditiously

☐ Other: _____

INDUSTRY (Check one)**NATURE OF ACTION (Check all that apply)**

- | | | | |
|--|--|--|--|
| <input checked="" type="checkbox"/> Electric | <input type="checkbox"/> Affidavit | <input checked="" type="checkbox"/> Letter | <input checked="" type="checkbox"/> Request |
| <input type="checkbox"/> Electric/Gas | <input type="checkbox"/> Agreement | <input type="checkbox"/> Memorandum | <input type="checkbox"/> Request for Certification |
| <input type="checkbox"/> Electric/Telecommunications | <input type="checkbox"/> Answer | <input type="checkbox"/> Motion | <input type="checkbox"/> Request for Investigation |
| <input type="checkbox"/> Electric/Water | <input type="checkbox"/> Appellate Review | <input type="checkbox"/> Objection | <input type="checkbox"/> Resale Agreement |
| <input type="checkbox"/> Electric/Water/Telecom. | <input type="checkbox"/> Application | <input type="checkbox"/> Petition | <input type="checkbox"/> Resale Amendment |
| <input type="checkbox"/> Electric/Water/Sewer | <input type="checkbox"/> Brief | <input type="checkbox"/> Petition for Reconsideration | <input type="checkbox"/> Reservation Letter |
| <input type="checkbox"/> Gas | <input type="checkbox"/> Certificate | <input type="checkbox"/> Petition for Rulemaking | <input type="checkbox"/> Response |
| <input type="checkbox"/> Railroad | <input type="checkbox"/> Comments | <input type="checkbox"/> Petition for Rule to Show Cause | <input type="checkbox"/> Response to Discovery |
| <input type="checkbox"/> Sewer | <input type="checkbox"/> Complaint | <input type="checkbox"/> Petition to Intervene | <input type="checkbox"/> Return to Petition |
| <input type="checkbox"/> Telecommunications | <input type="checkbox"/> Consent Order | <input type="checkbox"/> Petition to Intervene Out of Time | <input type="checkbox"/> Stipulation |
| <input type="checkbox"/> Transportation | <input type="checkbox"/> Discovery | <input type="checkbox"/> Prefiled Testimony | <input type="checkbox"/> Subpoena |
| <input type="checkbox"/> Water | <input type="checkbox"/> Exhibit | <input type="checkbox"/> Promotion | <input type="checkbox"/> Tariff |
| <input type="checkbox"/> Water/Sewer | <input type="checkbox"/> Expedited Consideration | <input type="checkbox"/> Proposed Order | <input type="checkbox"/> Other: |
| <input type="checkbox"/> Administrative Matter | <input type="checkbox"/> Interconnection Agreement | <input type="checkbox"/> Protest | |
| <input type="checkbox"/> Other: | <input type="checkbox"/> Interconnection Amendment | <input type="checkbox"/> Publisher's Affidavit | |
| | <input type="checkbox"/> Late-Filed Exhibit | <input type="checkbox"/> Report | |



March 3, 2008

K. Chad Burgess
Senior Counsel

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VIA HAND DELIVERY

The Honorable Charles Terreni
Chief Clerk/Administrator
South Carolina Public Service Commission
101 Executive Center Drive (29210)
Post Office Drawer 11649
Columbia, South Carolina 29211

RECEIVED
2008 MAR -3 PM 1:32
SC PUBLIC SERVICE
COMMISSION

RE: South Carolina Electric & Gas Company
Transfer of Real Property

Dear Mr. Terreni:

By Order No. 92-931 ("Order") the Public Service Commission of South Carolina ("Commission") approved certain recommendations and reporting requirements regarding real property owned by South Carolina Electric & Gas Company ("SCE&G" or "Company"). Among the recommendations and reporting requirements relating to real property, the Order states, "[a]ny utility or non-utility land or real property transfers between SCE&G and SCANA or any of SCANA's subsidiaries, or to any other party, should be made at fair market value." [See Appendix A to Order, p. 19]. For the reasons stated below, SCE&G respectfully requests that the Commission issue a *nunc pro tunc* order authorizing SCE&G to transfer real property to South Carolina Generating Company ("GENCO") at book value.

Background

GENCO is a wholly-owned subsidiary of SCANA. GENCO was established in 1985 to facilitate project-specific financing for the conversion of Williams Electric Generating Station ("Williams Station") from an oil-fired plant to a coal-fired plant. Since 1985, SCE&G has operated Williams Station as an integral part of its electric generation system. All of GENCO's capacity and energy is sold to SCE&G under a formula rate established by the Federal Energy Regulatory Commission. That formula rate reflects GENCO's actual fuel cost, actual operating and maintenance costs, and actual investment in rate base as they change from time to time. For all operational and planning purposes, SCE&G treats Williams Station as if it were a facility directly owned by SCE&G.

In or about 1995, SCE&G purchased two tracts of land in Berkeley County, South Carolina that are adjacent to Williams Station (the "Property"). One tract of land consists of approximately 40 acres and another tract of land consists of approximately 210 acres. The collective purchase price for these two tracts of land totaled \$381,019.50. Upon purchase, both tracts were classified as utility property on SCE&G's books.

(Continued . . .)

SCE&G allowed GENCO to use the Property for utility operations from 1995 to 1999. In 1999, SCE&G transferred the Property to GENCO at book value so that the accounting records of each company would reflect the economic usage of the Property.

Request for *Nunc Pro Tunc* Order

Order No. 92-931 generally requires that SCE&G will dispose of real property at fair market value. SCE&G is informed and believes that the intent of that provision of Order No. 92-931 was to prevent the transfer of property at discounted values from regulated to unregulated entities. In case of the Property, both parties to the transfer are regulated electric utilities. Had SCE&G transferred the Property to GENCO at fair market value, then under accepted utility accounting standards, SCE&G would have recognized a gain on the transfer, which it would have booked into FERC account, 421.1 Gain on Disposition of Property which is a non-utility account. If GENCO had booked the property in its accounts at fair market value rather than at book value, then GENCO's rate base would have increased and the rate charged to SCE&G through the GENCO formula rate would have increased also. Because a fair market value transaction would have adversely affected SCE&G's ratepayers, SCE&G transferred the property to GENCO at book value.

During a comprehensive review of its past land transactions, SCE&G was unable to locate any Commission order authorizing the transfer of the Property to GENCO. Apparently, through oversight, the Company did not obtain Commission approval for the transfer in 1999. The failure to obtain approval for the transfer was a matter of oversight only and has not prejudiced any party. Therefore, SCE&G respectfully requests that the Commission issue an order approving *nunc pro tunc* the transfer of real property to GENCO at book value.

By copy of this letter, we are also notifying the South Carolina Office of Regulatory Staff of the Company's request.

To complete our file, please acknowledge receipt of this letter by date-stamping the extra copy that is enclosed and return it to us via our courier.

If you have any questions, please advise.

Very truly yours,



K. Chad Burgess

KCB/kms

cc: John W. Flitter
A. Randy Watts
Shannon Bowyer Hudson, Esquire
(via hand delivery w/enclosures)